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C O N F I D E N T I A L TAIPEI 000781

SENSITIVE
SIPDIS

E.O. 12958: DECL: 06/29/2019

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SUBJECT: MUNICIPAL CONSOLIDATION LOWERS STAKES FOR BOTH
PARTIES IN DECEMBER LOCAL ELECTIONS

Classified By: AIT Deputy Director Robert Wang for reasons: 1.4 (b/d)

11. (C) Summary. On June 23, a Ministry of Interior panel endorsed proposals to elevate Taipei County to a special municipality, to upgrade and merge Taichung City and County into a special municipality, and to merge Kaohsiung County into Kaohsiung City, which is already a special municipality.

The decisions, which will allow these local governments to tap additional central government resources, were expected. The move also puts off for one year the local elections in several jurisdictions, reducing the stakes for both the opposition DPP and the ruling KMT in the upcoming city and county elections on December 5. End Summary.

12. (U) As expected, an ad hoc Ministry of Interior panel announced June 23 that it had approved Taipei County's application to be elevated to the status of a "special municipality." The panel also announced it had approved the merger and elevation of Taichung City and County and the merger of Kaohsiung County into Kaohsiung City, which is already a special municipality. The panel rejected separate upgrade applications by Taoyuan and Changhua Counties and the merger/upgrade request of Yunlin and Chiayi Counties. Taiwan's Executive Yuan must now approve the panel's decisions before the elevations and mergers can be implemented. While the panel made decisions on most applications, it failed to reach a unanimous decision on the merger/upgrade request of Tainan City and County, and referred it to the Executive Yuan for a decision.

13. (SBU) Local political leaders were able to set aside partisan differences because the central government allocates significantly more funds to "special municipalities" than to ordinary cities and counties. However, the administrative change will eliminate a significant number of local elected positions. Note: Currently, Taiwan has two special municipalities: Taipei and Kaohsiung Cities. After the elevations and mergers take effect and if Tainan's application is not approved, Taiwan will have 4 special municipalities, 4 cities, and 15 counties, including two (Kinmen and Lienchiang) that technically belong to Fujian rather than Taiwan. For Taipei, the government's long-term plan is to merge Taipei City, Taipei County (which will be renamed New Taipei City after its elevation) and Keelung City into a single municipality. End Note.

14. (C) Beyond fiscal implications, this administrative re-jiggering will affect the electoral strategies of Taiwan's main political parties. The December 5 elections had been viewed as an early mid-term test for the Ma administration and a measure of the DPP's efforts to launch a comeback after failing miserably in the 2008 legislative and presidential elections. The DPP was hoping and the KMT worrying that popular former Premier Su Tseng-chang would run for Taipei County magistrate, a position he held from 1997-2004. Both parties calculated Su would have a good chance of winning

Taiwan's largest jurisdiction (3.8 million residents) against virtually any KMT candidate, especially the unpopular incumbent magistrate Chou Hsi-wei. Su, however, has always seemed more interested in running for the presidency than returning to a local position he held previously.

15. (C) Despite DPP complaints that the government is playing politics with the administrative changes, both parties probably view the decisions on elevations and mergers with a sigh of relief. The KMT has avoided a difficult candidate decision and election contest in key Taipei County. For its part, the DPP is not well prepared for a major election test this year, owing to the corruption trial of former President Chen Shui-bian and continued factional divisions within the party. Taking several of Taiwan's most populous districts off the plate will reduce the political significance and public attention given to the upcoming local elections. However, the mayoral elections for the four major municipalities in December 2010, representing 9.1 million people, about 40 percent of Taiwan's total population, will attract considerable interest. Kaohsiung Mayor Chen Chu (DPP) has already indicated she intends to run for reelection, and Taipei City Mayor Hau Lung-in (KMT) doubtless also plans to run for reelection. Both parties are likely to field "political stars" in New Taipei City, although Su Tseng-chang may decide to sit out the race, preferring to focus on his presidential aspirations. In Taichung, although Jason Hu (KMT) has already served two terms as mayor, the two-term limit does not preclude him from running for mayor of the new special municipality.

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